

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Pigeon	County Huron
Fiscal Year End 2/28/26	Opinion Date 4/6/06	Date Audit Report Submitted to State 7/18/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

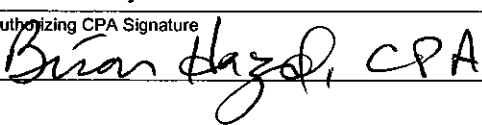
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No letter issued	
Other (Describe)	<input checked="" type="checkbox"/>	Government Auditing Standards Report	
Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.		Telephone Number 989-453-3122	
Street Address 7274 Hartley Street P.O. Box 499		City Pigeon	State MI
Authorizing CPA Signature 		Printed Name Brian Hazard, CPA	Zip 48755
		License Number 1101014007	

**VILLAGE OF PIGEON
PIGEON, MICHIGAN
HURON COUNTY**

**FINANCIAL REPORT
FEBRUARY 28, 2006**

VILLAGE OF PIGEON, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
REPORT OF INDEPENDENT AUDITORS	i - ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii – viii
BASIC FINANCIAL STATEMENTS	1
Government-Wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenue, Expenditures and Change in Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Assets – Proprietary Funds	8
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	9
Statement of Cash Flows – Proprietary Funds	10
Notes to the Basic Financial Statements	11 – 23
REQUIRED SUPPLEMENTAL INFORMATION	24
Statement of Revenue, Expenditures and Change in Fund Balance – Budget to Actual – General Fund	25 – 28
Statement of Revenue, Expenditures and Change in Fund Balance – Budget to Actual – Major Street Fund	29
Statement of Revenue, Expenditures and Change in Fund Balance – Budget to Actual – Local Street Fund	30

VILLAGE OF PIGEON, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
SUPPLEMENTAL INFORMATION	31
Nonmajor Governmental Funds:	
Combining Balance Sheet	32
Combining Statement of Revenue, Expenditures and Change in Fund Balance	33
Statement of Revenue, Expenditures and Change in Fund Balance – Budget to Actual – Trunkline Fund	34
Statement of Revenue, Expenditures and Change in Fund Balance – Budget to Actual – Recreation Fund	35
Statement of Revenue, Expenditures and Change in Fund Balance – Debt Service Fund	36
Statement of Revenue, Expenditures and Change in Fund Balance – Budget to Actual – Michigan Department of Transportation Debt Service Fund	37
Statement of Revenue, Expenditures and Change in Fund Balance – Budget to Actual – Capital Project Fund	38
Proprietary Fund Types:	
Schedule of Revenue and Expenses – Budget to Actual – Sewer Fund	39
Schedule of Revenue and Expenses – Budget to Actual – Water Fund	40
Schedule of Michigan Transportation Fund General Obligation Bonds Series 1992-A	41
Schedule of Water Supply Revenue Bonds Series 1999	42 - 43
Schedule of Sanitary Sewage Disposal System Revenue Bonds Series 2004	44 – 45
Schedule of General Obligation Unlimited Tax Bonds Series 2005	46
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	47 - 48
Schedule of Reportable Conditions	49



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REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council
Village of Pigeon
Pigeon, Michigan 48755

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pigeon, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Pigeon, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pigeon, Michigan, as of February 28, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2006, on our consideration of the Village of Pigeon, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 25 through 30, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Report of Independent Auditors (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pigeon, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

April 6, 2006

As the management of the Village of Pigeon, Michigan, we offer the readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2006. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the Village exceed its liabilities at the close of the most recent fiscal year by \$6,448,030 (net assets). Of this amount, \$307,876 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$114,259.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$514,414. Over 19 percent of this total amount or \$98,615 is available for spending at the government's discretion (unrestricted fund balances).
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$98,615 or 16.5 percent of the total general fund expenditures.
- The Village's total debt increased by \$2,369,829 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Pigeon's basic financial statements. The Village is reporting these financial statements utilizing a new reporting structure that all state and local governments must implement. These requirements restructured much of the information that governmental units have presented in the past.

The Village's basic financial statements are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government (including administration), public safety, public works and recreation and culture operations.

The government-wide financial statements can be found on pages 2 and 3 of this report.

Fund financial statements. A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds, and propriety funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare this information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains eight individual governmental funds. Information is presented separately, in the governmental fund balance sheet, and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Street, Local Street, and Capital Projects Funds, each of which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4 through 7 of this report.

Proprietary Funds. The Village maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The Village uses enterprise funds to account for its sanitary sewer and water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its equipment rental operations. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 8 through 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 - 23 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budgetary information for the major governmental funds. This required supplementary information can be found on pages 25 through 30 of this report.

The combining statements referred to earlier in this connection with non-major governmental funds are presented immediately following the required supplementary information. Combining, individual fund statements and schedules can be found on pages 32 - 40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$6,448,030 at the close of the fiscal year, which is a decrease of \$114,259, or 1.7% from the prior year.

A significant portion of the Village's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The table below shows the Village's net assets as of February 28, 2006.

Village's Net Assets				
	Governmental	Business-Type	February 28,	
	Activities	Activities	2006	2005
			Total	Total
Current and other assets	\$ 634,440	\$ 177,043	\$ 811,483	\$ 661,675
Capital assets	<u>4,690,759</u>	<u>5,988,724</u>	<u>10,679,483</u>	<u>8,575,640</u>
Total Assets	<u>5,325,199</u>	<u>6,165,767</u>	<u>11,490,965</u>	<u>9,237,315</u>
Long-term liabilities outstanding	2,065,944	2,817,000	4,882,944	2,585,355
Other liabilities	<u>39,277</u>	<u>120,718</u>	<u>159,995</u>	<u>87,754</u>
Total Liabilities	<u>2,105,221</u>	<u>2,937,718</u>	<u>5,042,938</u>	<u>2,673,109</u>
Net Assets:				
Invested in capital assets, net of related debt	2,648,496	3,171,724	5,820,220	5,983,379
Restricted	151,021	168,913	319,934	167,852
Unrestricted	<u>420,463</u>	<u>(112,587)</u>	<u>307,876</u>	<u>412,974</u>
Total net assets	<u>\$3,219,980</u>	<u>\$3,228,050</u>	<u>\$6,448,030</u>	<u>\$6,564,205</u>

Of the remaining balance of net assets, approximately 5% or \$319,934 are restricted resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$307,876 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances for the governmental activities. However, the business-type activities report an unrestricted deficit of \$(112,587), due to operating losses in the Water Fund.

The Village's net assets decreased \$114,259 during the fiscal year. This reflects the degree to which ongoing expenses exceeded ongoing revenues.

The table below shows the change in net assets for the fiscal year ended February 28, 2006.

Village's Change in Net Assets				
	Governmental	Business-type	February 28,	
	Activities	Activities	2006 Total	2005 Total
General revenue:				
Property taxes	\$ 552,083	\$ 46,458	\$ 598,541	\$ 468,368
State Shared Revenues	228,568		228,568	233,506
Unrestricted investment earnings	3,585	1,745	5,330	3,673
Miscellaneous	7,038		7,038	13,498
Transfers – Net	2,000	(981)	1,019	
Program revenue:				
Charges for services	49,227	348,460	397,687	463,344
Total revenue	<u>842,501</u>	<u>395,682</u>	<u>1,238,183</u>	<u>1,182,389</u>
Expenses:				
General government	228,914		228,914	214,808
Public safety	113,578		113,578	112,179
Highways and public improvements	278,696		278,696	269,659
Sanitation	48,421		48,421	44,475
Parks and recreation	25,102		25,102	22,770
Interest on long term debt	42,289		42,289	3,868
Unallocated depreciation	16,103		16,103	39,846
Water		461,216	461,216	409,013
Sewer		138,123	138,123	107,316
Total expenses	<u>753,103</u>	<u>599,339</u>	<u>1,352,442</u>	<u>1,223,934</u>
Change in net assets	89,398	(203,657)	(114,259)	(41,545)
Net assets – beginning of year	3,130,582	3,431,707	6,562,289	6,605,750
Net assets – end of year	<u>\$3,219,980</u>	<u>\$3,228,050</u>	<u>\$6,448,030</u>	<u>\$6,564,205</u>

Governmental activities

Governmental activities increased the Village's net assets by \$89,398 or 1.4% of beginning net assets. Property taxes levied on the new storm sewer on the ad-valorem roll were \$96,561. Property taxes levied on the new storm sewer on the IFT roll were \$8,786.

The combined total of \$105,347 was a major factor in the increase of Village's net assets. During the past fiscal year, the Village did not make any major transfers to other funds as had been done in the prior fiscal year.

Business-Type activities

Business-type activities decreased the Village's assets by \$(203,657) or 3.1% of beginning net assets. Major reasons for the decrease were due to a storm sewer project. During the replacement of old storm sewer lines, a large amount of water was used to flush the new lines. Since the Village of Pigeon purchases its water from a neighboring Village, it increased our expenses in that fund.

Other factors that added to the decrease in net assets were additional expenses in both the water and sewer funds related to the storm sewer project.

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus on the Village's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, the unrestricted fund balance of the General Fund was \$98,615. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures; unrestricted fund balance represents 16.5% of total General Fund expenditures.

The fund balance of the Village's General Fund decreased by \$(34,112) during the current fiscal year. This is primarily attributable to an increase in Public Works and Storm Drain Expenditures.

The primary funds utilized by the Village for street construction and maintenance are the Major and Local Streets Funds. At the conclusion of the fiscal year, the Major Street Fund had a fund balance of \$93,708 (a decrease of \$36,524); and the Local Street Fund had a balance of \$80,005 (an increase of \$32,565).

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of Water and Sewer funds at the end of the year amounted to \$(112,223). The Water and Sewer Fund had a decrease in net assets for the year of \$(203,293). Other factors concerning the finances of these two funds have already been addressed in discussion of the Village's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were primarily related to a new general ledger software program which changed various categories.

Budget to actual comparisons for the Village's general fund were mostly favorable.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2006, amounted to \$5,820,220. This investment in capital assets includes land, buildings and improvements, systems, equipment and infrastructure.

Major capital asset expenditures during the fiscal year included the storm sewer improvement project and upgrades in the amount of \$1,794,345 and the completion of the sanitary sewer lagoon project which began during the 2005 fiscal year.

The table below shows the Village's Capital assets as of February 28, 2006.

Village's Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 500,000	\$ 201,000	\$ 701,000
Land Improvements		1,450,773	1,450,773
Buildings and improvements	1,118,690	693,533	1,812,223
Equipment	957,089	371,153	1,328,242
Construction in Progress	1,794,345		1,794,345
Infrastructure	<u>4,705,560</u>	<u>5,216,540</u>	<u>9,922,100</u>
Total	9,075,684	7,932,999	17,008,683
Less: Accumulated Depreciation	<u>(4,384,925)</u>	<u>(1,944,275)</u>	<u>(6,329,200)</u>
Total capital assets	<u>\$4,690,759</u>	<u>\$5,988,724</u>	<u>\$10,679,483</u>

Additional information on the Village's capital assets can be found in Note 1 on pages 15 through 17 of the financial report.

Long-term debt. At the end of the current fiscal year, the Village had total debt outstanding of \$4,762,944. These amounts are summarized below.

Village's Outstanding Debt
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue bonds		\$2,685,000	\$2,685,000
General obligation bonds	\$2,040,000		2,040,000
Accrued compensated absences	23,680		23,680
Lease Payment – Police Car	2,264		2,264
Lease Payment - Aerators		<u>132,000</u>	<u>132,000</u>
Total long-term debt	<u>\$2,065,944</u>	<u>\$2,817,000</u>	<u>\$4,762,944</u>

The Village's total debt increased during the current fiscal year with the addition of \$2,000,000 for Storm Sewer General Obligation Unlimited Tax Bonds.

Additional information on the Village's long-term debt can be found in Note 9 on pages 21 through 23 of the financial report.

Economic Factors and Next Year's Budgets and Rates

- Inflationary trends in the region compare favorable to national indices.
- The County's unemployment rate is approximately 7.4 percent, which is comparable to the statewide rate.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to: **Janet Heckman, Village Clerk, 29 S. Main Street, Pigeon, MI 48755.**

BASIC FINANCIAL STATEMENTS

VILLAGE OF PIGEON, MICHIGAN

STATEMENT OF NET ASSETS FEBRUARY 28, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
Cash	\$ 313,904	\$ 278,580	\$ 592,483
Accounts receivable	24,973	69,148	94,120
Due from other governments	17,417		17,417
Internal balances	222,407	(222,407)	-
Inventory		1,963	1,963
Restricted assets:			
Cash		43,913	43,913
Capital assets:			
Land	500,000	201,000	701,000
Buildings	1,118,690	693,533	1,812,223
Equipment	957,089	371,153	1,328,242
Improvements		1,450,773	1,450,773
Infrastructure	4,705,560	5,216,540	9,922,100
Construction in progress	1,794,345		1,794,345
Less accumulated depreciation	(4,384,925)	(1,944,275)	(6,329,200)
Other assets:			
Bond discount	19,333		19,333
Bond issue costs	36,406	5,846	42,252
TOTAL ASSETS	<u>5,325,199</u>	<u>6,165,767</u>	<u>11,490,965</u>
<u>LIABILITIES</u>			
Accounts payable	17,305	86,495	103,800
Accrued wages payable	14,970		14,970
Accrued payroll liabilities	6,175		6,175
Accrued interest	827	34,223	35,050
Accrued compensated absences	23,680		23,680
Notes payable	2,264	132,000	134,264
Revenue bonds payable		2,685,000	2,685,000
General obligation bonds payable	2,040,000		2,040,000
TOTAL LIABILITIES	<u>2,105,221</u>	<u>2,937,718</u>	<u>5,042,938</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	2,648,496	3,171,724	5,820,220
Restricted for:			
Capital projects	151,021	168,913	319,934
Unrestricted	420,463	(112,587)	307,876
TOTAL NET ASSETS	<u>\$ 3,219,980</u>	<u>\$ 3,228,050</u>	<u>\$ 6,448,030</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PIGEON, MICHIGAN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED FEBRUARY 28, 2006

PROGRAM ACTIVITIES	PROGRAM REVENUES			NET (EXPENSES) REVENUES & CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>Governmental Activities</u>							
General government	\$ 228,914				\$ (228,914)	\$	(228,914)
Public safety	113,578				(113,578)		(113,578)
Highways and public improvements	278,696				(278,696)		(278,696)
Sanitation	48,421	\$ 49,227			806		806
Parks and recreation	25,102				(25,102)		(25,102)
Interest on long-term debt	42,289				(42,289)		(42,289)
Unallocated depreciation	16,103				(16,103)		(16,103)
Total governmental activities	753,103	49,227	-	-	(703,876)		(703,876)
<u>Business-Type Activities</u>							
Water	461,216	250,897				\$ (210,319)	(210,319)
Sewer	138,123	97,563				(40,560)	(40,560)
Total business-type activities	599,339	348,460	-	-	-	(250,879)	(250,879)
Total Government	\$ 1,352,442	\$ 397,687	\$ -	\$ -	(703,876)	(250,879)	(954,755)
General Revenue:							
Property taxes					552,083	46,458	598,541
State shared revenues					228,568		228,568
Unrestricted investment earnings					3,585	1,745	5,330
Miscellaneous					7,038		7,038
Transfers - net					2,000	(981)	1,019
Total general revenues and transfers					793,274	47,222	840,496
Change in net assets					89,398	(203,657)	(114,259)
Net assets - beginning of the year					3,130,582	3,431,707	6,562,289
Net assets - end of the year					\$ 3,219,980	\$ 3,228,050	\$ 6,448,030

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PIGEON, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
FEBRUARY 28, 2006

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>CAPITAL PROJECT</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS						
Cash	\$ 99,035			\$ 151,805	\$ 63,064	\$ 313,904
Accounts receivable	24,973					24,973
Due from other funds	361,145	\$ 128,185	\$ 93,985		67,445	650,760
Due from other governments	1,406	12,217	3,794			17,417
TOTAL ASSETS	<u>\$ 486,559</u>	<u>\$ 140,402</u>	<u>\$ 97,779</u>	<u>\$ 151,805</u>	<u>\$ 130,509</u>	<u>\$ 1,007,054</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 17,305					\$ 17,305
Accrued wages payable	14,970					14,970
Accrued payroll liabilities	6,175					6,175
Due to other funds	349,494	\$ 46,694	\$ 17,774	\$ 784	\$ 39,444	454,190
TOTAL LIABILITIES	<u>387,944</u>	<u>46,694</u>	<u>17,774</u>	<u>784</u>	<u>39,444</u>	<u>492,640</u>
FUND BALANCES:						
Unreserved, reported in:						
General Fund	98,615					98,615
Special Revenue Funds		93,708	80,005		14,471	188,184
Capital Project Funds				151,021		151,021
Debt Service Funds					76,594	76,594
TOTAL FUND BALANCES	<u>98,615</u>	<u>93,708</u>	<u>80,005</u>	<u>151,021</u>	<u>91,065</u>	<u>514,414</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 486,559</u>	<u>\$ 140,402</u>	<u>\$ 97,779</u>	<u>\$ 151,805</u>	<u>\$ 130,509</u>	<u>\$ 1,007,054</u>

VILLAGE OF PIGEON, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
FEBRUARY 28, 2006**

Total governmental fund balances \$ 514,414

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore, are not reported in the funds. The cost of the assets is
\$9,075,685 less the accumulated depreciation of \$4,384,925. 4,690,760

Bond issue costs and bond discounts are not reported in the funds. 55,739

Internal service fund is not included in the governmental funds. 25,838

Long-term liabilities, including bonds payable and accrued interest, are not
due and payable in the current period and, therefore, are not reported in
the funds. (2,066,770)

Net assets - governmental activities \$ 3,219,980

VILLAGE OF PIGEON, MICHIGAN

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:						
Taxes	\$ 380,451		\$ 60,673		\$ 105,347	\$ 546,471
Licenses and permits	580					580
Intergovernmental	121,480	\$ 67,711	21,665		18,475	229,331
Charges for services	49,232					49,232
Interest and dividends				\$ 3,027	27	3,054
Fines and other	5,399					5,399
Miscellaneous	20,913				521	21,434
TOTAL REVENUE	<u>578,055</u>	<u>67,711</u>	<u>82,338</u>	<u>3,027</u>	<u>124,370</u>	<u>855,501</u>
EXPENDITURES:						
Current:						
Legislative	18,004					18,004
General government	237,495					237,495
Buildings & grounds	43,483					43,483
Streets		95,235	48,754		11,484	155,473
Recreation					14,485	14,485
Police	107,415					107,415
Public works	136,760					136,760
Storm drains	5,040					5,040
Capital outlay	32,667			1,794,345		1,827,012
Debt service:						
Principal	15,997				64,654	80,651
Interest and fiscal charges	306				2,945	3,251
TOTAL EXPENDITURES	<u>597,167</u>	<u>95,235</u>	<u>48,754</u>	<u>1,794,345</u>	<u>93,568</u>	<u>2,629,068</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(19,112)</u>	<u>(27,524)</u>	<u>33,584</u>	<u>(1,791,318)</u>	<u>30,802</u>	<u>(1,773,568)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in			981		26,000	26,981
Operating transfers out	(15,000)	(9,000)	(2,000)			(26,000)
Bond proceeds				2,000,000		2,000,000
Bond issue costs and discount				(57,661)		(57,661)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>(9,000)</u>	<u>(1,019)</u>	<u>1,942,339</u>	<u>26,000</u>	<u>1,943,319</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(34,112)</u>	<u>(36,524)</u>	<u>32,565</u>	<u>151,021</u>	<u>56,802</u>	<u>169,752</u>
FUND BALANCE - BEGINNING	<u>132,727</u>	<u>130,232</u>	<u>47,440</u>		<u>34,263</u>	<u>344,662</u>
FUND BALANCE - ENDING	<u>\$ 98,615</u>	<u>\$ 93,708</u>	<u>\$ 80,005</u>	<u>\$ 151,021</u>	<u>\$ 91,065</u>	<u>\$ 514,414</u>

VILLAGE OF PIGEON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED FEBRUARY 28, 2006

Net change in fund balances - governmental funds **\$ 169,752**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the *Statement of Activities*, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	1,817,502	
Street construction	99,090	
Depreciation expense	<u>(72,820)</u>	
		1,843,772

The net revenue of certain activities of equipment rental is reported with governmental activities. (943)

Repayment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities. 30,997

Accrued interest on long-term debt is an expenditure in the statement of activities, but not in the governmental funds. 310

Bond money received is an other financing source in the governmental funds but not in the statement of activities. Bond issue costs and discounts are other financing uses in the governmental funds but not in the statement of activities. (1,942,339)

Accrued compensated absences is an expenditure in the statement of activities, but not in the governmental funds. (12,150)

Change in net assets - governmental activities **\$ 89,398**

VILLAGE OF PIGEON, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
FEBRUARY 28, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	
ASSETS				
CURRENT ASSETS:				
Cash	\$ 125,528	\$ 153,052	\$ 278,580	
Due from other funds	108,164	26,079	134,243	\$ 40,141
Accounts receivable	25,431	43,717	69,148	
Inventory		1,963	1,963	
TOTAL CURRENT ASSETS	259,123	224,811	483,934	40,141
RESTRICTED ASSETS:				
Cash		43,913	43,913	
TOTAL RESTRICTED ASSETS		43,913	43,913	
NONCURRENT ASSETS:				
CAPITAL ASSETS:				
Land	201,000		201,000	
Buildings		693,533	693,533	
Equipment	248,123	123,030	371,153	352,033
Improvements	1,450,773		1,450,773	
Infrastructure	1,015,139	4,201,401	5,216,540	
Less: accumulated depreciation	(909,258)	(1,035,017)	(1,944,275)	(229,919)
CAPITAL ASSETS - NET	2,005,777	3,982,947	5,988,724	122,114
OTHER ASSETS:				
Bond issue costs	5,846		5,846	
TOTAL OTHER ASSETS	5,846		5,846	
TOTAL NONCURRENT ASSETS	2,011,623	3,982,947	5,994,570	122,114
TOTAL ASSETS	2,270,746	4,251,671	6,522,417	162,255
LIABILITIES				
CURRENT LIABILITIES				
Due to other funds	30,575	325,710	356,285	14,668
Accounts payable	68,911	17,584	86,495	
Accrued interest	17,573	16,650	34,223	
Revenue bonds payable - Current	13,000	21,000	34,000	
TOTAL CURRENT LIABILITIES	130,059	380,944	511,003	14,668
NONCURRENT LIABILITIES:				
Lease payable	132,000		132,000	
Revenue bonds payable	1,192,000	1,459,000	2,651,000	
TOTAL NONCURRENT LIABILITIES	1,324,000	1,459,000	2,783,000	
TOTAL LIABILITIES	1,454,059	1,839,944	3,294,003	14,668
NET ASSETS				
Invested in capital assets, net of related debt	668,777	2,502,947	3,171,724	122,114
Restricted for:				
Capital projects	125,000	43,913	168,913	
Unrestricted	22,910	(135,133)	(112,223)	25,473
TOTAL NET ASSETS	\$ 816,687	\$ 2,411,727	3,228,414	\$ 147,587
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			(365)	
Net assets of business-type activities			\$ 3,228,050	

VILLAGE OF PIGEON, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	SEWER	WATER	TOTALS	
OPERATING REVENUE:				
Charges for services	\$ 97,563	\$ 235,897	\$ 333,459	\$ 51,618
Hydrant rental		15,000	15,000	
TOTAL OPERATING REVENUE	<u>97,563</u>	<u>250,897</u>	<u>348,459</u>	<u>51,618</u>
OPERATING EXPENSES:				
Salaries	12,798	26,965	39,762	5,247
Employee benefits	13,016	10,248	23,265	3,320
Operating supplies	2,097	8,396	10,494	
Repairs and maintenance	18,933	7,817	26,749	17,580
Testing and fees		2,835	2,835	
Equipment rental	4,496	9,769	14,265	
Utilities	6,181	13,243	19,424	
Seminars	132	70	202	
Alarm expense	530	583	1,113	
Telephone		2,586	2,586	
Water purchase from Caseville		180,595	180,595	
Lagoon expense	300		300	
2004 Storm sewer expense	40,604		40,604	
Minutes - water board meetings		190	190	
Amortization	154		154	
Depreciation	37,195	109,438	146,633	26,781
Capital improvement expense		1,840	1,840	
Intake valve - Caseville		(1,326)	(1,326)	
Rate adjustment to Caseville		20,476	20,476	
TOTAL OPERATING EXPENSES	<u>136,436</u>	<u>393,725</u>	<u>530,161</u>	<u>52,928</u>
OPERATING (LOSS)	<u>(38,873)</u>	<u>(142,828)</u>	<u>(181,701)</u>	<u>(1,308)</u>
NONOPERATING REVENUE (EXPENSES):				
Current property taxes		46,458	46,458	
Interest income	388	1,356	1,744	
Interest and paying agent fees	(1,572)	(67,241)	(68,813)	
TOTAL NONOPERATING (EXPENSES)	<u>(1,184)</u>	<u>(19,427)</u>	<u>(20,611)</u>	
(LOSS) BEFORE OTHER FINANCING USES	<u>(40,057)</u>	<u>(162,255)</u>	<u>(202,312)</u>	<u>(1,308)</u>
OTHER FINANCING (USES):				
Operating transfer		(981)	(981)	
CHANGE IN NET ASSETS	<u>(40,057)</u>	<u>(163,236)</u>	<u>(203,293)</u>	<u>(1,308)</u>
NET ASSETS - BEGINNING OF YEAR	856,744	2,574,963		148,895
NET ASSETS - END OF YEAR	<u>\$ 816,687</u>	<u>\$ 2,411,727</u>		<u>\$ 147,587</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			<u>(365)</u>	
Changes in net assets of business-type activities			<u>\$ (203,658)</u>	

VILLAGE OF PIGEON, MICHIGAN

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>BUSINESS-TYPE ACTIVITIES</u> <u>ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL</u> <u>ACTIVITIES</u> <u>INTERNAL</u> <u>SERVICE FUND</u>
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 146,359	\$ 227,459	\$ 373,818	
Receipts from interfund services		15,000	15,000	\$ 51,618
Payments to suppliers of goods and services	(83,628)	(109,321)	(192,949)	(43,051)
Payments to employees	(12,798)	(26,965)	(39,763)	(5,247)
Payments for fringe benefits	(13,016)	(10,248)	(23,264)	(3,320)
Payments for interfund services	(4,496)	(9,769)	(14,265)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>32,421</u>	<u>86,156</u>	<u>118,577</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfer		(981)	(981)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of fixed assets	(206,000)	(7,001)	(213,001)	
Refund of construction in progress costs		24,399	24,399	
Bond principal payment	(12,000)	(19,000)	(31,000)	
Interest and fees paid on bonds	(42,668)	(50,590)	(93,258)	
Property tax levy received		46,458	46,458	
Proceeds from bonds	197,000		197,000	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(63,668)</u>	<u>(5,734)</u>	<u>(69,402)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	388	1,356	1,744	
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>(30,860)</u>	<u>80,797</u>	<u>49,938</u>	<u>-</u>
CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR	156,388	116,168	272,555	-
CASH AND RESTRICTED CASH - END OF THE YEAR	<u>\$ 125,528</u>	<u>\$ 196,965</u>	<u>\$ 322,493</u>	<u>\$ -</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (38,873)	\$ (142,828)	\$ (181,701)	\$ (1,308)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	37,195	109,438	146,633	26,781
Amortization	154		154	
(Increase) decrease in current assets:				
Accounts receivable	48,796	(8,438)	40,358	
Due from other funds	(42,072)	(21,745)	(63,816)	(40,141)
Increase (decrease) in current liabilities:				
Accounts payable		720	720	
Due to other funds	27,221	149,009	176,230	14,668
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 32,421</u>	<u>\$ 86,156</u>	<u>\$ 118,577</u>	<u>\$ -</u>

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village of Pigeon operates a council-president form of government under provisions of a revised charter, and provides the following services as authorized by its charter: public safety, (police and inspection), highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity:

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village of Pigeon has no component units.

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and general administrative services are classified as governmental activities. The Village's water and sewer are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government Wide and Fund Financial Statements: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing, charges for services, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Street Fund-The Major Street Fund accounts for resources legally restricted to expenditures for specified current operating purposes relating to the Major Streets of the Village.

Local Street Fund-The Local Street Fund accounts for resources legally restricted to expenditures for specified current operating purposes relating to the Local Streets of the Village.

Capital Project Fund-The Capital Project Fund accounts for the activities of a construction project. The fund is currently recording the storm sewer project.

The Village reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities of the Village's wastewater treatment operations.

The **Water Fund** accounts for the activities of the Village's water distribution system.

Additionally, the Village reports the following nonmajor fund types:

Special Revenue Funds – Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Village accounts for the Trunkline and Recreation Funds in special revenue funds.

Debt Service Funds – Debt service funds account for payments on bonds of the Village. The Village accounts for the Transportation Bonds and Storm Sewer Bonds in debt service funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise funds are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting:

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to February 28, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to February 28, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposit.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at February 28, 2006 consist of property taxes, state road taxes, and billings for user charges services, including trash collections and utility services. Taxes, trash and utility charges are deemed collectible in full.

(Continued)

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absences:

Village employees are allowed to accumulate a maximum of thirty days of sick leave. In the event of death, termination of employment, or retirement of an employee, one-half of sick leave accumulation is paid to the employee at his current rate of pay. Unused sick leave in excess of thirty days is paid annually at one-half of regular pay rate. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental funds, the liability for compensated absences is recorded in the statement of net assets as a long-term liability since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Huron County and are therefore included as revenue in the fiscal year levied.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 to 50
Buildings	25 to 50
Office equipment	5 to 15
Machinery and equipment	5 to 20
Vehicles	5 to 8
Improvements other than buildings	20

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended February 28, 2006, was \$72,820. Capital asset acquisitions in the governmental funds totaled \$1,916,592 and there were no asset disposals for the year ended February 28, 2006. A summary of Governmental Fund capital assets at February 28, 2006, follows:

	February 28,	
	<u>2006</u>	<u>2005</u>
Land	\$ 500,000	\$ 500,000
Buildings	1,118,690	1,111,901
Equipment	957,089	940,721
Infrastructure	<u>4,705,560</u>	<u>4,606,470</u>
Total capital assets	7,281,339	7,159,092
Less accumulated depreciation	(4,384,925)	(4,285,502)
Construction in progress	<u>1,794,345</u>	-
NET GOVERNMENTAL FUND CAPITAL ASSETS	<u>\$4,690,759</u>	<u>\$2,873,590</u>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended February 28, 2006, was \$146,633. Capital asset acquisitions in the business-type funds totaled \$1,325,911 and there were no asset disposals for the year ended February 28, 2006. A summary of Business-Type Fund capital assets at February 28, 2006, follows:

	February 28,	
	<u>2006</u>	<u>2005</u>
Land	\$ 201,000	\$ 201,000
Land improvements	1,450,773	272,853
Buildings	693,533	693,533
Equipment	371,153	232,152
Water infrastructure	4,201,401	4,201,401
Sewer infrastructure	<u>1,015,139</u>	<u>1,006,149</u>
Total capital assets	7,932,999	6,607,088
Less accumulated depreciation	(1,944,275)	(1,797,642)
Construction in progress	-	892,604
NET BUSINESS-TYPE FUND CAPITAL ASSETS	<u>\$5,988,724</u>	<u>\$5,702,050</u>

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the Village as follows:

Governmental activities:	
General government	\$ 16,103
Public safety	5,856
Public works	4,244
Highways and public improvement	36,064
Recreation	<u>10,553</u>
Total depreciation expense – governmental activities	<u>\$ 72,820</u>
Business-type activities:	
Sewer	\$ 37,195
Water	<u>109,438</u>
Total depreciation expense – business-type activities	<u>\$146,633</u>

Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGET COMPLIANCE:

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 2 – BUDGET COMPLIANCE: (CONTINUED)

During the year ended February 28, 2006, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
Local Street:			
Traffic services	\$ 760	\$ 816	\$ (56)
Trunkline:			
Traffic services	650	714	(64)

NOTE 3 – CASH AND DEPOSITS:

The carrying amount of cash and deposits with financial institutions of the Village of Pigeon amounted to \$636,396 at February 28, 2006. The total bank balance as of the same date was \$632,657. Deposits with financial institutions are categorized as follows:

	<u>February 28, 2006</u>
Amount insured by the FDIC	\$103,909
Uncollateralized	<u>528,748</u>
Total deposits with financial institutions	<u>\$632,657</u>

The carrying amount of cash and deposits, which were restricted or designated for capital improvements as of February 28, 2006, amounted to \$43,913.

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village's investment policy limits its authorized investments to the following: checking accounts, savings accounts and certificates of deposits at financial institutions that are insured by the Federal Deposit Insurance Corporation. However, the investment policy does not address the custodial credit risk associated with the deposits in financial institutions in excess of insured limits. The Village's deposits and investments are within the authorization as set forth by the Village of Pigeon.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 4 – PROPERTY TAXES:

Property taxes are levied based on the taxable value of property located in the Village. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2005 tax levy is as follows:

	ASSESSED VALUE	TAXABLE VALUE
Real property-Regular roll	\$28,613,100	\$24,301,413
Personal property-Regular roll	4,104,800	4,104,800
TOTAL	\$32,717,900	\$28,406,213

The Village is permitted, by charter, to levy up to \$22.73 (22.73 mills) per \$1,000 of taxable value for general governmental services including debt service. For the year ended February 28, 2006, the Village levied 12.27 mills for general governmental services, 1.00 mills for local street, and 4.90 mills for debt service. Total millage levied was 18.17.

NOTE 5 – INTERNAL BALANCES TRANSFERS:

The Village pools its cash funds into a common demand deposit account for investment and accounting purposes. The interfund receivables and payables represent deposit and disbursement transactions that have been processed for the various funds through the common checking account. The balances of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Major Street	\$128,185	General Fund	\$128,185
Trunkline	18,355	General Fund	18,355
Local Street	93,985	General Fund	93,985
Recreation Fund	1,590	General Fund	1,590
Sewer Fund	107,379	General Fund	107,379
Sewer Fund	784	Capital Project Fund	784
Water Fund	26,079	Sewer Fund	26,079
Equipment Rental	9,194	Major Street	9,194
Equipment Rental	6,401	Trunkline	6,401
Equipment Rental	7,774	Local Street	7,774
Equipment Rental	2,507	Recreation	2,507
Equipment Rental	4,496	Sewer Fund	4,496
Equipment Rental	9,769	Water Fund	9,769
General Fund	315,941	Water Fund	315,941
General Fund	14,668	Equipment Rental	14,668
Michigan Transportation	37,500	Major Street	37,500
Michigan Transportation	10,000	Local Street	10,000
General Fund	30,536	Michigan Transportation	30,536
Total	\$ 825,143	Total	\$ 825,143

VILLAGE OF PIGEON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 5 – INTERNAL BALANCES TRANSFERS: (CONTINUED)

During the year ended February 28, 2006, the General Fund transferred \$15,000 to the Recreation Fund to support the Village's parks and recreation program. The Major and Local Street Funds transferred \$11,000 to the Transportation Bonds Debt Retirement Fund for the payment of principal and interest on the Transportation Bonds.

NOTE 6 – CONSTRUCTION IN PROGRESS:

As of February 28, 2006, the Village has incurred \$1,794,345 of capital expenditures related to the storm sewer improvement project. The project includes acquiring and constructing storm sewer improvements in the Village and related street reconstruction. The total cost of the project is estimated to be approximately \$2,000,000.

NOTE 7 – PENSION PLAN:

Plan Description: The Village of Pigeon participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 447 N. Canal Road, Lansing, Michigan 48917.

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 4% of their salary. The Village is required by the same statute to contribute the remaining amounts necessary to pay benefits when due.

Annual Pension Cost: For the year ended February 28, 2006, the Village's annual pension cost of \$18,620 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 4.16 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$13,743	\$16,599	\$17,948
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	631,211	646,998	662,313
Actuarial Accrued Liability (entry age)	780,333	813,734	868,937
Unfunded AAL	149,122	166,736	206,624
Funded ratio	81%	80%	76%
Covered payroll	209,689	177,095	186,656
UAAL as a percentage of covered payroll	71%	94%	111%
(Continued)	- 20 -		

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 8 – RISK MANAGEMENT:

General Liability: Village of Pigeon participates in the Michigan Township Participating Plan, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$4.4 million for real and personal property losses and \$5 million for liability losses. Village of Pigeon is required to pay annual premiums to the Michigan Township Participating Plan for the liability coverage. No supplemental premium assessment is required by the Michigan Township Participating Plan. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation: Village of Pigeon purchased commercial insurance coverage for losses related to workers' compensation claims.

Employee Health Care: Village of Pigeon purchased commercial insurance coverage for its employees and their dependents.

NOTE 9 – LONG-TERM DEBT:

Long-term debt currently outstanding is as follows:

	<u>FEBRUARY 28,</u> <u>2005</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>FEBRUARY 28,</u> <u>2006</u>	<u>DUE</u> <u>WITHIN</u> <u>ONE</u> <u>YEAR</u>
Governmental activities:					
General obligation bonds	\$ 55,000		\$ 15,000	\$ 40,000	\$20,000
General obligation bonds		\$2,000,000		2,000,000	
Lease payable – police car	8,261		5,997	2,264	2,264
Land contract payable – Lakers	10,000		10,000	-	
Accrued compensated absences	<u>11,354</u>	<u>12,326</u>	<u> </u>	<u>23,680</u>	<u> </u>
Total bonds payable-governmental activities	\$ <u>84,615</u>	<u>\$2,012,326</u>	<u>\$ 30,997</u>	<u>\$2,065,944</u>	<u>\$22,264</u>
Business-type activities:					
Lease payable - aerators		\$ 132,000		\$ 132,000	\$27,500
Sanitary sewage revenue bonds-2004	\$1,020,000	197,000	\$ 12,000	1,205,000	32,000
Water supply revenue Bonds	<u>1,499,000</u>	<u> </u>	<u>19,000</u>	<u>1,480,000</u>	<u>21,000</u>
Total bonds payable – business-type activities	<u>\$2,519,000</u>	<u>\$ 329,000</u>	<u>\$ 31,000</u>	<u>\$2,817,000</u>	<u>\$80,500</u>

(Continued)

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 9 – LONG-TERM DEBT: (CONTINUED)

Annual debt service requirements to maturity for the above obligations (excluding compensated absences) are as follows:

February 28,	General obligation bonds	Car Lease payable	2005 General obligation bonds	Sanitary sewer revenue bond	Water supply revenue bond	Lagoon lease payable
2007	\$21,860	\$2,292	\$ 99,082	\$ 68,409	\$ 87,600	\$27,500
2008	20,620		99,082	67,841	86,655	27,500
2009			108,842	68,250	86,710	27,500
2010			123,002	67,638	86,720	27,500
2011			131,562	68,003	86,686	27,500
2012-2016			660,930	340,319	434,148	
2017-2021			736,610	339,319	435,082	
2022-2026			856,305	340,397	434,602	
2027-2031			910,801	340,781	434,594	
2032-2036				340,225	435,578	
2037-2041				340,803	261,960	
2042-2046				272,531		
Total	42,480	2,292	3,726,216	2,654,516	2,870,335	137,500
Less interest	2,480	28	1,726,216	1,381,516	1,390,335	5,500
Outstanding principal	<u>\$40,000</u>	<u>\$2,264</u>	<u>\$2,000,000</u>	<u>\$1,273,000</u>	<u>\$1,480,000</u>	<u>\$132,000</u>

Details of the Village of Pigeon's long-term debt as of February 28, 2006, are as follows:

The Village of Pigeon Michigan Transportation Fund General Obligation Bonds were issued September 1, 1992. The bonds were issued to provide financing for the Streetscape project completed in 1994. The bonds bear interest payable each May 1 and November 1 until maturity. The bonds final maturity date is May 1, 2007. The interest rate on the bonds is 6.20%.

40,000

The Village of Pigeon entered into a lease payable on a police car on June 30, 2003. The interest rate on the lease is 6%. The final lease payment is May 31, 2006.

2,264

The Village of Pigeon General Obligation Unlimited Tax Bonds, Series 2005, were issued May 1, 2005. The bonds were issued to provide financing for the storm sewer project to be completed in 2006. The bonds bear interest payable each May 1 and November 1 until maturity. The bonds final maturity date is May 1, 2030. The interest rate varies from 4.80% to 5.10%.

2,000,000

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2006

NOTE 9 – LONG-TERM DEBT: (CONTINUED)

The Village of Pigeon Sanitary Sewage Disposal System Revenue Bonds, Series 2004 in the amount of \$1,285,000, were issued May 27, 2004. The bond proceeds were used to upgrade the existing pump station, remove the accumulated sludge from the existing lagoon, construct a new 10-acre lagoon, and construct related improvements. The bonds shall bear interest payable November 1, 2004 and each May 1 and November 1 thereafter until maturity. The bonds final maturity date is May 1, 2044. The interest rate on the bonds is 4.375%.

1,273,000

The Village of Pigeon Water Supply System Revenue Bonds, in the amount of \$1,600,000, were issued August 18, 1999. The bond proceeds, along with a grant of \$1,400,000 from the USDA Rural Development, were used to construct a water supply system from Caseville to Pigeon. The bonds shall bear interest payable December 1, 1999 and each June 1 and December 1 thereafter until maturity. The bonds final maturity date is June 1, 2024. The interest rate on the bonds is 4.5%.

1,480,000

The Village of Pigeon entered into a lease payable on aerators on July 25, 2005. The interest rate on the lease is 1.376%. The final lease payment is July 25, 2010.

132,000

Total interest incurred by the Village of Pigeon on its various bond issues and long term debt totaled \$164,783 for the year ended February 28, 2006. Of this amount, \$43,794 was capitalized as part of the costs of the sanitary sewer lagoon construction project, and the remaining amount of \$120,989 was charged to expense in the various funds of the Village.

Capital Leases

The Village has entered into lease agreements for financing capital equipment. The lease agreements qualify as capital leases for accounting purposes, therefore have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

<u>Asset</u>	
Police vehicle	\$ 26,000
Lagoon Aerators	<u>132,000</u>
Total Assets Acquired	158,000
Less: Accumulated Depreciation	<u>(14,200)</u>
Total Assets Acquired	<u>\$143,800</u>

The future minimum lease obligation and net present value of these minimum lease payments as of February 28, 2006, were presented on page 22.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF PIGEON, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Taxes:				
Current property taxes	\$ 365,730	\$ 380,385	\$ 380,431	\$ 46
Tax collection fees	75	75	20	(55)
Total for taxes	<u>365,805</u>	<u>380,460</u>	<u>380,451</u>	<u>(9)</u>
 Licenses and permits	 <u>600</u>	 <u>1,175</u>	 <u>580</u>	 <u>(595)</u>
 Intergovernmental:				
State revenue sharing	125,135	121,750	121,480	(270)
Metro Act receipts	4,900	-	-	-
Total Intergovernmental	<u>130,035</u>	<u>121,750</u>	<u>121,480</u>	<u>(270)</u>
 Charges for services:				
Curb, gutter and DPW services	1,075	225	5	(220)
Equipment rental	64,735	-	-	-
Refuse collection	45,070	48,850	49,227	377
Total Charges for Services	<u>110,880</u>	<u>49,075</u>	<u>49,232</u>	<u>157</u>
 Fines and other	 <u>6,500</u>	 <u>5,000</u>	 <u>5,399</u>	 <u>399</u>
 Miscellaneous:				
Interest and other	785	500	510	10
Administration fees	11,225	10,600	10,632	32
Cable TV fees	4,125	4,250	4,266	16
Other	1,635	5,450	5,505	55
Parking tickets	500	-	-	-
Total Miscellaneous	<u>18,270</u>	<u>20,800</u>	<u>20,913</u>	<u>113</u>
 TOTAL REVENUE	 <u>632,090</u>	 <u>578,260</u>	 <u>578,055</u>	 <u>(205)</u>
 EXPENDITURES:				
Legislative:				
Elected Officials:				
Salaries	2,500	2,500	2,200	300
Benefits	-	1,600	1,634	(34)
Committee attendance	17,000	17,000	14,170	2,830
Total Elected Officials	<u>19,500</u>	<u>21,100</u>	<u>18,004</u>	<u>3,096</u>

VILLAGE OF PIGEON, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
General Government:				
Clerk:				
Salaries	35,500	39,000	38,907	93
Clerical wages	9,750	9,750	9,815	(65)
Zoning Administrator	-	400	471	(71)
Benefits	(16,100)	24,700	26,085	(1,385)
Employee Benefits - Vacation and holiday pay	20,600	7,500	5,276	2,224
Equipment maintenance	-	500	416	84
Office supplies and expense	2,075	4,000	2,687	1,313
Postage	1,000	1,000	616	384
Printing and publications	-	750	428	322
Professional	12,700	25,500	25,191	309
Trash pickup	44,750	48,500	48,421	79
Travel and seminars	500	300	118	182
Insurance	59,075	62,450	61,093	1,357
Other	3,500	8,500	7,831	669
Internet services	400	500	514	(14)
Telephone	-	1,500	1,377	123
Copy machine lease expense	2,160	3,500	3,125	375
Web site expense	425	800	698	102
Total Clerk	<u>176,335</u>	<u>239,150</u>	<u>233,069</u>	<u>6,081</u>
Elections	2,000	950	899	51
Treasurer	(1,100)	3,550	3,527	23
Total General Government	<u>177,235</u>	<u>243,650</u>	<u>237,495</u>	<u>6,155</u>
General Services Administration:				
Buildings & Grounds:				
Salaries	-	4,500	6,295	(1,795)
Employee benefits	-	350	482	(132)
Insurance	-	-	45	(45)
Janitor	750	900	778	122
Cleaning supplies	75	950	673	277
Utilities	13,100	15,000	14,475	525
Maintenance and repairs	7,015	8,550	6,738	1,812
County Building	5,000	-	-	-
Trees trim/down - Stump removal	3,575	1,800	1,569	231
Bandshell - Electricity	175	125	119	6
Bandshell	1,100	300	273	27

VILLAGE OF PIGEON, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
Buildings & Grounds: (Continued)				
School property - Utilities	7,500	15,000	12,036	2,964
School property - Maintenance	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Buildings & Grounds	<u>39,790</u>	<u>47,475</u>	<u>43,483</u>	<u>3,992</u>
Police Department:				
Salary - Chief	39,150	39,000	38,827	173
Salary - Other	18,000	29,000	28,781	219
Employee benefits	28,575	21,000	20,889	111
Uniform allowance	1,075	500	408	92
Office supplies and expense	625	3,000	2,730	270
Telephone	2,450	3,000	2,604	396
Gas and oil	3,000	4,000	3,503	497
Maintenance and repairs	3,000	2,700	1,907	793
Travel and seminars	450	635	592	43
Other	1,200	2,525	1,520	1,005
302 funds - income and expense	975	300	-	300
Legal fees	3,900	4,500	4,530	(30)
Training funds	500	500	-	500
Police department internet	150	250	219	31
LEIN System	275	1,000	905	95
Tires	<u>435</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Police Department	<u>103,760</u>	<u>111,910</u>	<u>107,415</u>	<u>4,495</u>
Public Works:				
Department of Public Works:				
Salaries	23,775	26,000	24,639	1,361
Employee benefits	11,890	29,400	27,805	1,595
Operating supplies	4,355	5,000	4,040	960
Uniform cleaning	1,750	2,100	1,931	169
Telephone	2,245	2,700	2,418	282
Electricity - Village lights	-	23,250	22,325	925
Electricity - Other	650	1,250	778	472
Equipment rental	12,620	11,750	11,477	273
Hydrant rental	15,000	15,000	15,000	-
Other	1,830	680	298	382
Sidewalk replacement	5,000	100	40	60
New street lights	5,150	5,000	4,442	558
Tree lights	1,275	750	825	(75)
Pager expense	300	50	293	(243)
Lawn maintenance contract	16,427	16,427	16,427	-
Repairs and maintenance	-	1,050	1,156	(106)

VILLAGE OF PIGEON, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
Public Works: (Continued)				
Department of Public Works: (Continued)				
Travel and seminars	1,000	1,000	516	484
OSHA consulting	2,400	2,400	2,350	50
Total Department of Public Works	<u>105,667</u>	<u>143,907</u>	<u>136,760</u>	<u>7,147</u>
Storm Drains:				
Labor	-	5,000	4,682	318
Employee benefits	-	400	358	42
Total Storm Drains	<u>-</u>	<u>5,400</u>	<u>5,040</u>	<u>360</u>
Capital Outlay:				
General	6,500	9,550	9,510	40
Recreation	4,000	5,250	5,157	93
Matching grant	3,500	-	-	-
Building and grounds	17,500	18,500	18,000	500
Other	4,500	-	-	-
Total Capital Outlay	<u>36,000</u>	<u>33,300</u>	<u>32,667</u>	<u>633</u>
Debt Service:				
Land contract - Laker West - School property	10,000	10,000	10,000	
Principal payments on capital lease	6,750	6,900	6,303	597
Total Debt Service	<u>16,750</u>	<u>16,900</u>	<u>16,303</u>	<u>597</u>
TOTAL EXPENDITURES	<u>498,702</u>	<u>623,642</u>	<u>597,167</u>	<u>26,475</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>133,388</u>	<u>(45,382)</u>	<u>(19,112)</u>	<u>26,270</u>
OTHER FINANCING (USES):				
Operating transfers out	(9,000)	(15,000)	(15,000)	-
TOTAL OTHER FINANCING (USES)	<u>(9,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>124,388</u>	<u>(60,382)</u>	<u>(34,112)</u>	<u>26,270</u>
FUND BALANCE - BEGINNING OF YEAR	<u>132,727</u>	<u>132,727</u>	<u>132,727</u>	
FUND BALANCE - END OF YEAR	<u>\$ 257,115</u>	<u>\$ 72,345</u>	<u>\$ 98,615</u>	<u>\$ 26,270</u>

VILLAGE OF PIGEON, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 70,300	\$ 67,300	\$ 67,711	\$ 411
TOTAL REVENUE	<u>70,300</u>	<u>67,300</u>	<u>67,711</u>	<u>411</u>
EXPENDITURES:				
Road Construction:				
Labor	-	1,750	1,743	7
Contracted services	35,000	71,350	71,339	11
Total Road Construction	<u>35,000</u>	<u>73,100</u>	<u>73,082</u>	<u>18</u>
Routine Maintenance:				
Labor	4,100	3,500	2,667	833
Materials and supplies	150	2,000	1,884	116
Equipment rental	8,500	4,200	3,473	727
Sweeping and flushing	2,360	3,500	3,463	37
Total Routine Maintenance	<u>15,110</u>	<u>13,200</u>	<u>11,487</u>	<u>1,713</u>
Traffic services	<u>675</u>	<u>500</u>	<u>471</u>	<u>29</u>
Winter maintenance:				
Labor	1,675	2,000	1,331	669
Supplies and services	325	700	(94)	794
Equipment rental	3,000	3,500	2,258	1,242
Total Winter maintenance	<u>5,000</u>	<u>6,200</u>	<u>3,495</u>	<u>2,705</u>
Administration:				
Administrative fee	3,000	3,000	3,000	
Employee benefits	3,050	4,100	3,700	400
Total Administration	<u>6,050</u>	<u>7,100</u>	<u>6,700</u>	<u>400</u>
TOTAL EXPENDITURES	<u>61,835</u>	<u>100,100</u>	<u>95,235</u>	<u>4,865</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>8,465</u>	<u>(32,800)</u>	<u>(27,524)</u>	<u>5,276</u>
OTHER FINANCING (USES):				
Operating transfers out	(15,000)	(9,000)	(9,000)	
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER (USES)	<u>(6,535)</u>	<u>(41,800)</u>	<u>(36,524)</u>	<u>5,276</u>
FUND BALANCE - BEGINNING OF YEAR	130,232	130,232	130,232	
FUND BALANCE - END OF YEAR	<u>\$ 123,697</u>	<u>\$ 88,432</u>	<u>\$ 93,708</u>	<u>\$ 5,276</u>

VILLAGE OF PIGEON, MICHIGAN

**LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Taxes:				
Current property taxes	\$ 27,800	\$ 31,000	\$ 30,983	\$ (17)
County road millage	29,825	29,825	29,690	(135)
Total taxes	57,625	60,825	60,673	(152)
Intergovernmental:				
Gas and weight tax	21,930	21,250	21,665	415
TOTAL REVENUE	<u>79,555</u>	<u>82,075</u>	<u>82,338</u>	<u>263</u>
EXPENDITURES:				
Construction:				
Labor	3,320	100	95	5
Equipment rental	1,445			
Contracted services	37,850	26,000	25,913	87
Total Construction	<u>42,615</u>	<u>26,100</u>	<u>26,008</u>	<u>92</u>
Routine maintenance:				
Labor	6,000	2,500	2,173	327
Materials and supplies	1,350	1,350	1,374	(24)
Sweeping and flushing	2,205	2,775	2,755	20
Equipment rental	9,300	2,500	2,247	253
Total Routine Maintenance	<u>18,855</u>	<u>9,125</u>	<u>8,549</u>	<u>576</u>
Traffic services	595	760	816	(56)
Winter maintenance:				
Labor	1,800	2,500	1,227	1,273
Supplies and services	425	1,100	349	751
Equipment rental	2,600	3,850	2,330	1,520
Total Winter Maintenance	<u>4,825</u>	<u>7,450</u>	<u>3,906</u>	<u>3,544</u>
Administration				
Administrative fee		2,000	2,000	
Employee benefits	7,635	7,775	7,475	300
Total administration	<u>7,635</u>	<u>9,775</u>	<u>9,475</u>	<u>300</u>
TOTAL EXPENDITURES	<u>74,525</u>	<u>53,210</u>	<u>48,754</u>	<u>4,456</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>5,030</u>	<u>28,865</u>	<u>33,584</u>	<u>4,719</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(5,000)	(2,000)	(2,000)	
Operating transfers in	-	-	981	981
TOTAL OTHER FINANCING (USES)	<u>(5,000)</u>	<u>(2,000)</u>	<u>(1,019)</u>	<u>981</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	<u>30</u>	<u>26,865</u>	<u>32,565</u>	<u>5,700</u>
FUND BALANCE - BEGINNING OF YEAR	<u>47,440</u>	<u>47,440</u>	<u>47,440</u>	
FUND BALANCE - END OF YEAR	<u>\$ 47,470</u>	<u>\$ 74,305</u>	<u>\$ 80,005</u>	<u>\$ 5,700</u>

SUPPLEMENTAL INFORMATION

VILLAGE OF PIGEON, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
FEBRUARY 28, 2006

	<u>TRUNKLINE</u>	<u>RECREATION</u>	<u>DEBT SERVICE</u>	<u>TRANSPORTATION BONDS DEBT RETIREMENT</u>	<u>TOTAL</u>
<u>ASSETS</u>					
Cash		\$ 3,434	\$ 55,720	\$ 3,910	\$ 63,064
Due from other funds	\$ 18,355	1,590		47,500	67,445
TOTAL ASSETS	<u>\$ 18,355</u>	<u>\$ 5,024</u>	<u>\$ 55,720</u>	<u>\$ 51,410</u>	<u>\$ 130,509</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Due to other funds	\$ 6,401	\$ 2,507		\$ 30,536	\$ 39,444
TOTAL LIABILITIES	<u>6,401</u>	<u>2,507</u>		<u>30,536</u>	<u>39,444</u>
<u>FUND BALANCE:</u>					
Unreserved	\$ 11,954	2,517	55,720	20,874	91,065
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 18,355</u>	<u>\$ 5,024</u>	<u>\$ 55,720</u>	<u>\$ 51,410</u>	<u>\$ 130,509</u>

VILLAGE OF PIGEON, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>TRUNKLINE</u>	<u>RECREATION</u>	<u>DEBT SERVICE</u>	<u>TRANSPORTATION BONDS DEBT RETIREMENT</u>	<u>TOTAL</u>
REVENUE:					
Intergovernmental	\$ 18,475				\$ 18,475
Property taxes			\$ 105,347		105,347
Interest and dividends			27		27
Miscellaneous		\$ 508		\$ 13	521
TOTAL REVENUE	<u>18,475</u>	<u>508</u>	<u>105,374</u>	<u>13</u>	<u>124,370</u>
EXPENDITURES:					
Streets	11,484				11,484
Recreation		14,485			14,485
Debt retirement			49,654	17,945	67,599
TOTAL EXPENDITURES	<u>11,484</u>	<u>14,485</u>	<u>49,654</u>	<u>17,945</u>	<u>93,568</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>6,991</u>	<u>(13,977)</u>	<u>55,720</u>	<u>(17,932)</u>	<u>30,802</u>
OTHER FINANCING SOURCES:					
Operating transfers in		15,000		11,000	26,000
TOTAL OTHER FINANCING SOURCES		<u>15,000</u>		<u>11,000</u>	<u>26,000</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>6,991</u>	<u>1,023</u>	<u>55,720</u>	<u>(6,932)</u>	<u>56,802</u>
FUND BALANCE - BEGINNING OF YEAR	<u>4,963</u>	<u>1,494</u>		<u>27,806</u>	<u>34,263</u>
FUND BALANCE - END OF YEAR	<u>\$ 11,954</u>	<u>\$ 2,517</u>	<u>\$ 55,720</u>	<u>\$ 20,874</u>	<u>\$ 91,065</u>

VILLAGE OF PIGEON, MICHIGAN

**TRUNKLINE
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Intergovernmental:				
Trunkline maintenance	\$ 13,500	\$ 13,750	\$ 18,475	\$ 4,725
TOTAL REVENUE	<u>13,500</u>	<u>13,750</u>	<u>18,475</u>	<u>4,725</u>
EXPENDITURES:				
Routine maintenance:				
Labor	875	625	423	202
Materials and supplies	2,875	325	121	204
Equipment rental	-	-	197	(197)
Sweeping and flushing	300	2,450	2,412	38
Total Routine Maintenance	<u>4,050</u>	<u>3,400</u>	<u>3,153</u>	<u>247</u>
Traffic services:				
Labor	-	50	77	(27)
Materials and supplies	950	600	637	(37)
Total Traffic services	<u>950</u>	<u>650</u>	<u>714</u>	<u>(64)</u>
Winter maintenance:				
Labor	3,375	3,800	3,310	490
Employee benefits	2,275	500	330	170
Materials and supplies	500	700	(94)	794
Equipment rental	5,200	5,950	4,071	1,879
Total Winter maintenance	<u>11,350</u>	<u>10,950</u>	<u>7,617</u>	<u>3,333</u>
TOTAL EXPENDITURES	<u>16,350</u>	<u>15,000</u>	<u>11,484</u>	<u>3,516</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,850)</u>	<u>(1,250)</u>	<u>6,991</u>	<u>8,241</u>
FUND BALANCE - BEGINNING OF YEAR	<u>4,963</u>	<u>4,963</u>	<u>4,963</u>	
FUND BALANCE - END OF YEAR	<u>\$ 2,113</u>	<u>\$ 3,713</u>	<u>\$ 11,954</u>	<u>\$ 8,241</u>

VILLAGE OF PIGEON, MICHIGAN

**RECREATION FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Miscellaneous:				
Interest income			\$ 8	\$ 8
Other	\$ 195	\$ 500	500	-
TOTAL REVENUE	<u>195</u>	<u>500</u>	<u>508</u>	<u>\$ 8</u>
EXPENDITURES:				
Recreation:				
Labor	2,850	4,225	4,056	169
Employee benefits	785	820	792	28
Supplies	-	265	135	130
Utilities	1,115	1,795	1,489	306
Repairs and maintenance	1,480	4,845	4,843	2
Equipment rental	1,200	2,510	2,507	3
Other	50	225	222	3
Portable toilets	175	445	441	4
TOTAL EXPENDITURES	<u>7,655</u>	<u>15,130</u>	<u>14,485</u>	<u>644</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(7,460)</u>	<u>(14,630)</u>	<u>(13,977)</u>	<u>652</u>
OTHER FINANCING SOURCES:				
Operating transfers in	9,000	15,000	15,000	
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>1,540</u>	<u>370</u>	<u>1,023</u>	<u>652</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,494</u>	<u>1,494</u>	<u>1,494</u>	
FUND BALANCE - END OF YEAR	<u>\$ 3,034</u>	<u>\$ 1,864</u>	<u>\$ 2,517</u>	<u>\$ 652</u>

VILLAGE OF PIGEON, MICHIGAN

**DEBT SERVICE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ACTUAL</u>
REVENUE:	
Taxes:	
Current property taxes	\$ 105,347
Interest and dividend revenue	<u>27</u>
TOTAL REVENUE	<u>105,374</u>
 EXPENDITURES:	
Bond interest expense	49,541
Bond fees	<u>113</u>
TOTAL EXPENDITURES	<u>49,654</u>
 EXCESS OF REVENUE OVER EXPENDITURES	 <u>55,720</u>
 FUND BALANCE - BEGINNING OF YEAR	 -
 FUND BALANCE - END OF YEAR	 <u><u>\$ 55,720</u></u>

VILLAGE OF PIGEON, MICHIGAN

**MICHIGAN DEPARTMENT OF TRANSPORTATION DEBT SERVICE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Interest income	\$ 25	\$ 25	\$ 13	\$ (12)
TOTAL REVENUE	<u>25</u>	<u>25</u>	<u>13</u>	<u>(12)</u>
EXPENDITURES:				
Bond principal payments	15,000	15,000	15,000	
Interest and paying agent fees	<u>2,945</u>	<u>2,945</u>	<u>2,945</u>	
TOTAL EXPENDITURES	<u>17,945</u>	<u>17,945</u>	<u>17,945</u>	
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(17,920)</u>	<u>(17,920)</u>	<u>(17,932)</u>	<u>(12)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	20,000	11,000	11,000	
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>2,080</u>	<u>(6,920)</u>	<u>(6,932)</u>	<u>(12)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>27,806</u>	<u>27,806</u>	<u>27,806</u>	
FUND BALANCE - END OF YEAR	<u>\$ 29,886</u>	<u>\$ 20,886</u>	<u>\$ 20,874</u>	<u>\$ (12)</u>

VILLAGE OF PIGEON, MICHIGAN

**CAPITAL PROJECT FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Interest and dividend revenue	\$ -	\$ -	\$ 3,027	\$ 3,027
EXPENDITURES:				
Capital outlay	-	-	1,794,345	(1,794,345)
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(1,791,318)</u>	<u>(1,791,318)</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds			2,000,000	2,000,000
Bond issue costs and discount	<u>(20,000)</u>	<u>(20,000)</u>	<u>(57,661)</u>	<u>(37,661)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>(20,000)</u>	<u>1,942,339</u>	<u>1,962,339</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(20,000)</u>	<u>(20,000)</u>	<u>151,021</u>	<u>171,021</u>
FUND BALANCE - BEGINNING OF YEAR	-	-	-	
FUND BALANCE - END OF YEAR	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ 151,021</u>	<u>\$ 171,021</u>

VILLAGE OF PIGEON, MICHIGAN

**SEWER OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE:			
Charges for services	\$ 118,825	\$ 97,563	\$ (21,262)
TOTAL OPERATING REVENUE	<u>118,825</u>	<u>97,563</u>	<u>(21,262)</u>
OPERATING EXPENSES:			
Salaries	12,500	12,798	(298)
Employee benefits	12,590	13,016	(426)
Operating supplies	2,000	2,097	(97)
Repairs and maintenance	19,800	18,933	867
Equipment rental	5,000	4,496	504
Utilities	5,500	6,181	(681)
Seminars	-	132	(132)
Alarm expense	640	530	110
Lagoon expense	550	300	250
2004 Storm sewer expense	10,475	40,604	(30,129)
Permits/Estimates	400	-	400
Capital outlay	9,000	-	9,000
Amortization	-	154	(154)
Depreciation	28,000	37,195	(9,195)
TOTAL OPERATING EXPENSES	<u>106,455</u>	<u>136,436</u>	<u>(29,981)</u>
OPERATING INCOME (LOSS)	<u>12,370</u>	<u>(38,873)</u>	<u>(51,243)</u>
NONOPERATING REVENUE (EXPENSES):			
Interest revenue	375	388	13
Bond principal payments	(31,000)	-	31,000
Interest expense	(42,700)	(1,572)	41,128
TOTAL NONOPERATING (EXPENSES)	<u>(73,325)</u>	<u>(1,184)</u>	<u>72,141</u>
CHANGE IN NET ASSETS	<u>(60,955)</u>	<u>(40,057)</u>	<u>20,897</u>
NET ASSETS - BEGINNING OF YEAR	856,744	856,744	
NET ASSETS - END OF YEAR	<u>\$ 795,789</u>	<u>\$ 816,687</u>	<u>\$ 20,897</u>

VILLAGE OF PIGEON, MICHIGAN
WATER OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE:			
Charges for services	\$ 216,920	\$ 235,897	\$ 18,977
Hydrant rental	15,000	15,000	-
TOTAL OPERATING REVENUE	<u>231,920</u>	<u>250,897</u>	<u>18,977</u>
OPERATING EXPENSES:			
Salaries	30,000	26,965	3,035
Employee benefits	10,275	10,248	27
Operating supplies	9,850	8,396	1,454
Repairs and maintenance	8,750	7,817	933
Testing and fees	3,025	2,835	190
Equipment rental	9,950	9,769	181
Utilities	12,000	13,243	(1,243)
Seminars	-	70	(70)
Alarm expense	650	583	67
Telephone	2,800	2,586	214
Administrative fee	6,000	-	6,000
Minutes - Water board meetings	200	190	10
New water meters	2,125	-	2,125
Depreciation	1,950	109,438	(107,488)
Capital outlay	5,165	1,840	3,325
Water purchase from Caseville	180,595	180,595	0
Intake Valve - Caseville	-	(1,326)	1,326
Rate adjust to Caseville	20,480	20,476	4
TOTAL OPERATING EXPENSES	<u>303,815</u>	<u>393,725</u>	<u>(89,910)</u>
OPERATING (LOSS)	<u>(71,895)</u>	<u>(142,828)</u>	<u>(70,933)</u>
NONOPERATING REVENUE (EXPENSES):			
Current property taxes	46,450	46,458	8
Interest income	310	1,356	1,046
Interest and paying agent fees	(67,455)	(67,241)	214
Bond principal payments	(19,000)	-	19,000
TOTAL NONOPERATING (EXPENSES)	<u>(39,695)</u>	<u>(19,427)</u>	<u>20,268</u>
(LOSS) BEFORE OTHER FINANCING SOURCES	<u>(111,590)</u>	<u>(162,255)</u>	<u>(50,664)</u>
OTHER FINANCING (USES):			
Operating transfer	-	(981)	(981)
CHANGE IN NET ASSETS	<u>(111,590)</u>	<u>(163,236)</u>	<u>(51,645)</u>
NET ASSETS - BEGINNING OF YEAR	2,574,963	2,574,963	
NET ASSETS - END OF YEAR	<u>\$ 2,463,373</u>	<u>\$ 2,411,727</u>	<u>\$ (51,645)</u>

VILLAGE OF PIGEON, MICHIGAN

**SCHEDULE OF MICHIGAN TRANSPORTATION FUND GENERAL OBLIGATION BONDS
SERIES 1992-A
FEBRUARY 28, 2006**

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
05/01/06	\$ 20,000	6.20%	\$ 1,240	\$ 21,240	
11/01/06			620	620	\$ 21,860
05/01/07	20,000	6.20%	620	20,620	20,620
	<u>\$ 40,000</u>		<u>\$ 2,480</u>	<u>\$ 42,480</u>	<u>\$ 42,480</u>

The Michigan Transportation Fund General Obligation Bonds dated September 1, 1992 were issued to provide financing for the Streetscape project completed in 1994.

VILLAGE OF PIGEON, MICHIGAN
SCHEDULE OF WATER SUPPLY REVENUE BONDS
SERIES 1999
FEBRUARY 28, 2006

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
06/01/06			\$ 33,300	\$ 33,300	
12/01/06	\$ 21,000	4.50%	33,300	54,300	\$ 87,600
06/01/07			32,828	32,828	
12/01/07	21,000	4.50%	32,827	53,827	86,655
06/01/08			32,355	32,355	
12/01/08	22,000	4.50%	32,355	54,355	86,710
06/01/09			31,860	31,860	
12/01/09	23,000	4.50%	31,860	54,860	86,720
06/01/10			31,343	31,343	
12/01/10	24,000	4.50%	31,343	55,343	86,686
06/01/11			30,803	30,803	
12/01/11	25,000	4.50%	30,803	55,803	86,606
06/01/12			30,240	30,240	
12/01/12	27,000	4.50%	30,240	57,240	87,480
06/01/13			29,633	29,633	
12/01/13	27,000	4.50%	29,633	56,633	86,266
06/01/14			29,025	29,025	
12/01/14	29,000	4.50%	29,025	58,025	87,050
06/01/15			28,373	28,373	
12/01/15	30,000	4.50%	28,373	58,373	86,746
06/01/16			27,698	27,698	
12/01/16	32,000	4.50%	27,698	59,698	87,396
06/01/17			26,978	26,978	
12/01/17	33,000	4.50%	26,978	59,978	86,956
06/01/18			26,235	26,235	
12/01/18	34,000	4.50%	26,235	60,235	86,470
06/01/19			25,470	25,470	
12/01/19	36,000	4.50%	25,470	61,470	86,940
06/01/20			24,660	24,660	
12/01/20	38,000	4.50%	24,660	62,660	87,320
06/01/21			23,805	23,805	
12/01/21	39,000	4.50%	23,805	62,805	86,610
06/01/22			22,928	22,928	
12/01/22	41,000	4.50%	22,928	63,928	86,856
06/01/23			22,005	22,005	
12/01/23	43,000	4.50%	22,005	65,005	87,010
06/01/24			21,038	21,038	
12/01/24	45,000	4.50%	21,038	66,038	87,076
06/01/25			20,025	20,025	
12/01/25	47,000	4.50%	20,025	67,025	87,050
06/01/26			18,968	18,968	
12/01/26	49,000	4.50%	18,968	67,968	86,936
06/01/27			17,865	17,865	
12/01/27	51,000	4.50%	17,865	68,865	86,730
06/01/28			16,718	16,718	
12/01/28	54,000	4.50%	16,718	70,718	87,436
06/01/29			15,503	15,503	
12/01/29	56,000	4.50%	15,503	71,503	87,006
06/01/30			14,243	14,243	
12/01/30	58,000	4.50%	14,243	72,243	86,486
06/01/31			12,938	12,938	
12/01/31	61,000	4.50%	12,938	73,938	86,876

(Continued)

VILLAGE OF PIGEON, MICHIGAN
SCHEDULE OF WATER SUPPLY REVENUE BONDS
SERIES 1999
FEBRUARY 28, 2006

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
06/01/32			11,565	11,565	
12/01/32	64,000	4.50%	11,565	75,565	87,130
06/01/33			10,125	10,125	
12/01/33	67,000	4.50%	10,125	77,125	87,250
06/01/34			8,618	8,618	
12/01/34	70,000	4.50%	8,618	78,618	87,236
06/01/35			7,043	7,043	
12/01/35	73,000	4.50%	7,043	80,043	87,086
06/01/36			5,400	5,400	
12/01/36	76,000	4.50%	5,400	81,400	86,800
06/01/37			3,690	3,690	
12/01/37	80,000	4.50%	3,690	83,690	87,380
06/01/38			1,890	1,890	
12/01/38	84,000	4.50%	1,890	85,890	87,780
	<u>\$ 1,480,000</u>		<u>\$ 1,390,335</u>	<u>\$ 2,870,335</u>	<u>\$ 2,870,335</u>

The Village of Pigeon Water Supply System Revenue Bonds, in the amount of \$1,600,000, were issued August 18, 1999. The bond proceeds, along with a grant of \$1,400,000 from the USDA Rural Development, were used to construct a water supply system from Caseville, Michigan, to Pigeon, Michigan.

VILLAGE OF PIGEON

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2004 FEBRUARY 28, 2006

<u>Date</u>	<u>Principal</u>	<u>Interest</u>		<u>Period Total</u>	<u>Fiscal Total</u>
		<u>Rate</u>	<u>Amount</u>		
5/1/2006	\$ 13,000	4.375%	\$ 27,847	\$ 40,847	
11/1/2006		4.375%	27,563	27,563	\$ 68,409
5/1/2007	13,000	4.375%	27,563	40,563	
11/1/2007		4.375%	27,278	27,278	67,841
5/1/2008	14,000	4.375%	27,278	41,278	
11/1/2008		4.375%	26,972	26,972	68,250
5/1/2009	14,000	4.375%	26,972	40,972	
11/1/2009		4.375%	26,666	26,666	67,638
5/1/2010	15,000	4.375%	26,666	41,666	
11/1/2010		4.375%	26,338	26,338	68,003
5/1/2011	16,000	4.375%	26,338	42,338	
11/1/2011		4.375%	25,988	25,988	68,325
5/1/2012	16,000	4.375%	25,988	41,988	
11/1/2012		4.375%	25,638	25,638	67,625
5/1/2013	17,000	4.375%	25,638	42,638	
11/1/2013		4.375%	25,266	25,266	67,903
5/1/2014	18,000	4.375%	25,266	43,266	
11/1/2014		4.375%	24,872	24,872	68,138
5/1/2015	19,000	4.375%	24,872	43,872	
11/1/2015		4.375%	24,456	24,456	68,328
5/1/2016	20,000	4.375%	24,456	44,456	
11/1/2016		4.375%	24,019	24,019	68,475
5/1/2017	20,000	4.375%	24,019	44,019	
11/1/2017		4.375%	23,581	23,581	67,600
5/1/2018	21,000	4.375%	23,581	44,581	
11/1/2018		4.375%	23,122	23,122	67,703
5/1/2019	22,000	4.375%	23,122	45,122	
11/1/2019		4.375%	22,641	22,641	67,763
5/1/2020	23,000	4.375%	22,641	45,641	
11/1/2020		4.375%	22,138	22,138	67,778
5/1/2021	24,000	4.375%	22,138	46,138	
11/1/2021		4.375%	21,613	21,613	67,750
5/1/2022	25,000	4.375%	21,613	46,613	
11/1/2022		4.375%	21,066	21,066	67,678
5/1/2023	27,000	4.375%	21,066	48,066	
11/1/2023		4.375%	20,475	20,475	68,541
5/1/2024	28,000	4.375%	20,475	48,475	
11/1/2024		4.375%	19,863	19,863	68,338
5/1/2025	29,000	4.375%	19,863	48,863	
11/1/2025		4.375%	19,228	19,228	68,091
5/1/2026	30,000	4.375%	19,228	49,228	
11/1/2026		4.375%	18,572	18,572	67,800
5/1/2027	32,000	4.375%	18,572	50,572	

VILLAGE OF PIGEON

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2004 FEBRUARY 28, 2006

<u>Date</u>	<u>Principal</u>	<u>Interest</u>		<u>Period Total</u>	<u>Fiscal Total</u>
		<u>Rate</u>	<u>Amount</u>		
11/1/2027		4.375%	17,872	17,872	68,444
5/1/2028	33,000	4.375%	17,872	50,872	
11/1/2028		4.375%	17,150	17,150	68,022
5/1/2029	35,000	4.375%	17,150	52,150	
11/1/2029		4.375%	16,384	16,384	68,534
5/1/2030	36,000	4.375%	16,384	52,384	
11/1/2030		4.375%	15,597	15,597	67,981
5/1/2031	38,000	4.375%	15,597	53,597	
11/1/2031		4.375%	14,766	14,766	68,363
5/1/2032	39,000	4.375%	14,766	53,766	
11/1/2032		4.375%	13,913	13,913	67,678
5/1/2033	41,000	4.375%	13,913	54,913	
11/1/2033		4.375%	13,016	13,016	67,928
5/1/2034	43,000	4.375%	13,016	56,016	
11/1/2034		4.375%	12,075	12,075	68,091
5/1/2035	45,000	4.375%	12,075	57,075	
11/1/2035		4.375%	11,091	11,091	68,166
5/1/2036	47,000	4.375%	11,091	58,091	
11/1/2036		4.375%	10,063	10,063	68,153
5/1/2037	49,000	4.375%	10,063	59,063	
11/1/2037		4.375%	8,991	8,991	68,053
5/1/2038	51,000	4.375%	8,991	59,991	
11/1/2038		4.375%	7,875	7,875	67,866
5/1/2039	54,000	4.375%	7,875	61,875	
11/1/2039		4.375%	6,694	6,694	68,569
5/1/2040	56,000	4.375%	6,694	62,694	
11/1/2040		4.375%	5,469	5,469	68,163
5/1/2041	58,000	4.375%	5,469	63,469	
11/1/2041		4.375%	4,200	4,200	67,669
5/1/2042	61,000	4.375%	4,200	65,200	
11/1/2042		4.375%	2,866	2,866	68,066
5/1/2043	64,000	4.375%	2,866	66,866	
11/1/2043		4.375%	1,466	1,466	68,331
5/1/2044	67,000	4.375%	1,466	68,466	68,466
Total	<u>\$ 1,273,000</u>		<u>\$ 1,381,516</u>	<u>\$ 2,654,516</u>	<u>\$ 2,654,516</u>

The Village of Pigeon Sanitary Sewer Disposal System Revenue Bonds, in the amount of \$1,285,000, were issued on May 27, 2004. The bond proceeds were used to upgrade the existing pump station, remove the accumulated sludge from the existing lagoon, construct a new 10 acre lagoon, and construct related improvements.

VILLAGE OF PIGEON, MICHIGAN
SCHEDULE OF GENERAL OBLIGATION UNLIMITED TAX BONDS
SERIES 2005
FEBRUARY 28, 2006

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
05/01/06			\$ 49,541	\$ 49,541	
11/01/06			49,541	49,541	\$ 99,082
05/01/07			49,541	49,541	
11/01/07			49,541	49,541	99,082
05/01/08	\$ 10,000	4.80%	49,541	59,541	
11/01/08			49,301	49,301	108,842
05/01/09	25,000	4.80%	49,301	74,301	
11/01/09			48,701	48,701	123,002
05/01/10	35,000	4.80%	48,701	83,701	
11/01/10			47,861	47,861	131,562
05/01/11	35,000	4.80%	47,861	82,861	
11/01/11			47,021	47,021	129,882
05/01/12	35,000	4.80%	47,021	82,021	
11/01/12			46,181	46,181	128,202
05/01/13	40,000	4.80%	46,181	86,181	
11/01/13			45,221	45,221	131,402
05/01/14	45,000	4.80%	45,221	90,221	
11/01/14			44,141	44,141	134,362
05/01/15	50,000	4.80%	44,141	94,141	
11/01/15			42,941	42,941	137,082
05/01/16	55,000	4.80%	42,941	97,941	
11/01/16			41,621	41,621	139,562
05/01/17	60,000	4.80%	41,621	101,621	
11/01/17			40,181	40,181	141,802
05/01/18	70,000	4.80%	40,181	110,181	
11/01/18			38,501	38,501	148,682
05/01/19	75,000	4.80%	38,501	113,501	
11/01/19			36,701	36,701	150,202
05/01/20	85,000	4.80%	36,701	121,701	
11/01/20			34,661	34,661	156,362
05/01/21	95,000	4.80%	34,661	129,661	
11/01/21			32,381	32,381	162,042
05/01/22	105,000	4.85%	32,382	137,382	
11/01/22			29,835	29,835	167,217
05/01/23	115,000	4.90%	29,835	144,835	
11/01/23			27,018	27,018	171,853
05/01/24	125,000	5.05%	27,018	152,018	
11/01/24			23,861	23,861	175,879
05/01/25	135,000	5.05%	23,861	158,861	
11/01/25			20,453	20,453	179,314
05/01/26	145,000	5.05%	20,453	165,453	
11/01/26			16,791	16,791	182,244
05/01/27	155,000	5.05%	16,791	171,791	
11/01/27			12,878	12,878	184,669
05/01/28	165,000	5.10%	12,878	177,878	
11/01/28			8,670	8,670	186,548
05/01/29	170,000	5.10%	8,670	178,670	
11/01/29			4,335	4,335	183,005
05/01/30	170,000	5.10%	4,335	174,335	174,335
	<u>\$ 2,000,000</u>		<u>\$ 1,726,216</u>	<u>\$ 3,726,216</u>	<u>\$ 3,726,216</u>

The Village of Pigeon General Obligation Unlimited Tax Bonds, in the amount of \$2,000,000, were issued on April 25, 2005. The bond proceeds were issued for the purpose of acquiring and constructing storm sewer improvements in the Village and related road reconstruction.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Village Council
Village of Pigeon
Pigeon, Michigan 48755

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pigeon, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village of Pigeon, Michigan's basic financial statements and have issued our report thereon dated April 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Pigeon, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Pigeon, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Pigeon, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Village Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nietzke + Faupel, PC
Nietzke & Faupel, P.C.
Pigeon, Michigan

April 6, 2006

**VILLAGE OF PIGEON
SCHEDULE OF REPORTABLE CONDITION
YEAR ENDED FEBRUARY 28, 2006**

FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

1. Segregation of duties

Condition: The Village Clerk is processing bills and receipts in the system along with collecting cash receipts from the customers.

Criteria: This combination indicates a lack of segregation of duties.

Effect: Because of the lack of segregation of duties, it would be possible to manipulate records.

Recommendation: Review procedures should be established in this area and they should be performed by someone independent of the billing procedures and the collection of the cash.